



Retail technology is moving at breathtaking speed in China, with key lessons for the world. Covering the latest from Alibaba, JD.com and beyond, Stylus explores the rise of 'uni-commerce' as it gathers pace.

#### SUMMARY

**UNI-COMMERCE** Chinese e-tail giant Alibaba uses the term 'uni-commerce' internally – and 'new retail' externally – to describe its strategy of bringing together online and physical retail in a seamless convergence. The company is investing \$15bn over three years in a dynamic drive to push retail into a new era. See also [Omni-Interactive: In-Store Strategy](#).

**BIG DATA'S CENTRAL ROLE** Big data is being amassed at exceptional speed in the giant Chinese market, with Alibaba investing \$486m in a Shenzhen-based big data specialist that will fast-forward its expertise. For more on data's role in commerce, see [Retail Wearables](#) and [Liquid Retail: IoT-Enabled Engagement](#).

**THREE-KILOMETRE PERFECT RADIUS** If you're a Chinese consumer living within three kilometres of an Alibaba-owned Hema supermarket, you're able to enjoy all the fruits of its 'new retail' revolution, including the ability to order online and receive your groceries within 30 minutes. To explore other supermarket innovations, see [Next-Gen Supermarkets, 2018](#).

**CASHLESS CHINA** WeChat Pay and Alipay are payment systems that require a simple swipe with a mobile phone. They've swept through urban China: mobile payment transactions topped \$5.5tn in 2016, making China the world's largest mobile payments market. Both payments systems are now expanding worldwide, with 150,000 merchants in the US already accepting Alipay.

**SOCIAL MEDIA MEETS RETAIL** Chinese entrepreneurial energy finds its purest expression in the host of Chinese who are building social media profiles and turning them into businesses – typically fashion brands that sell online only. See [Destination Teen: Targeting Youth](#) and [Influencer Retail](#) to explore brand-relevant networks.

**NICHE REFINEMENTS** Taobao's [new e-commerce platform](#) for the elderly and their families demonstrates the sophistication of Chinese retail, even including a 'pay-for-me' option to help those who need the most support while shopping. See [Empathetic Brand Engagement](#) for more on how brands are embracing inclusive service design.

#### KEY STATS



|              |  |
|--------------|--|
| <b>67%</b>   | Tencent's WeChat and Alibaba's Alipay payment systems account for 67% of all transactions in convenience stores in Beijing |
| <b>3km</b>   | Consumers living within three kilometres of one of Alibaba's Hema supermarkets can have orders delivered within 30 minutes |
| <b>74.6%</b> | Mobile payment accounted for 74.6% of all online payments in China in 2016   |

The future of retail is being played out in China at unprecedented speed. Recent months have seen a spate of strategic acquisitions and partnerships, with offline retailers joining forces with online specialists – integrating social media communities and mobile payment systems into new 'uni-commerce' platforms.

Unconstrained by data protection legislation, China is open to experimentation on a breath-taking scale. Simultaneously scary and exciting, it's offering retailers an exhilarating ride.

Chinese consumers have embraced technology enthusiastically and are several steps ahead of Western consumers. By June 2017, China had 751 million people online, with 95% accessing the internet with mobiles ([China Internet Network Information Center](#)).

## Uni-Commerce: The Alibaba Way

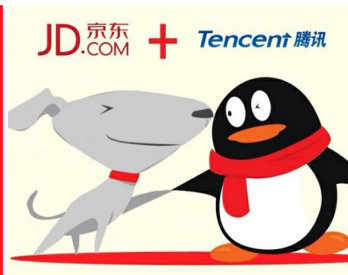
- Scale of Investment:** Converging online and offline is the focus at Chinese online giant Alibaba as it builds what the company calls 'new retail' or '[uni-commerce](#)'. Alibaba is spending \$15bn on research and development over the next three years, creating two billion customers and 100 million jobs over 20 years. Rival [JD.com](#) is also scrambling to improve convergence. In February, it invested \$117m in a [minority stake](#) in Better Life, a retail chain with 592 stores across China. Tech giant Tencent, which owns payment service WeChat Pay, similarly bought a stake for \$140m. Since early 2017, Alibaba and Tencent have [invested](#) \$10bn in bricks-and-mortar retail.
- Big Data:** Alibaba is investing \$486m in a 38% stake in [Beijing Shiji Information Technology Co. Ltd.](#), a big-data firm targeting hotel, catering and retail industries. Separately, in 2016, Alibaba launched a retail management system for convenience stores called [Ling Shou Tong](#) (translated as "retail integrated") that's now used by 600,000 stores. A retailer uses the app to replenish stock, while Alibaba collects data on shopping patterns.



Alibaba Founder Jack Ma



JD.com



JD.com x Tencent



JD.com x Better Life



Alibaba x Beijing Shiji



Alibaba x Beijing Shiji

- **Hema Leads Way:** Convergence is summed up by Alibaba's [Hema](#) supermarket chain, which launched in 2015 and is now in 25 locations in seven cities. Customers use the Hema app to scan QR codes for product information. Digital price tags are updated in real time. In 2018, Hema is adding to its existing five supermarkets in Beijing with a further 30 stores in the city, bringing millions of consumers into Alibaba's 'golden' radius: customers living within three kilometres of a Hema store can receive online orders within 30 minutes. See also [NRF 2018: Next-Gen Supermarkets](#) and [The Mobile-First Supermarket](#).
- **Strategic Partnerships with Western Companies:** In November 2017, Alibaba formed a [strategic alliance](#) with France's Auchan Retail and Taiwan's Ruentex Group to expand the Sun Art hypermarket chains. Sun Art includes 446 hypermarkets across China operating under two brand names: RT-Mart and Auchan.

Another alliance (January 2018) sees Tencent [investing](#) in French supermarket company Carrefour's China unit. Meanwhile, in the luxury sector, Western fashion e-tailer Farfetch and JD.com are partnering, with JD.com [investing \\$397m](#) in the company.



We believe the future of retail is much more than just connecting online and offline. Our new retail strategy is a combination of creating new and transforming old.

DANIEL ZHANG, CHIEF EXECUTIVE, ALIBABA



Alibaba Hema



Alibaba Hema



Alibaba Hema



Alibaba Auchan



Tencent x Carrefour

## Shopping Made Easy

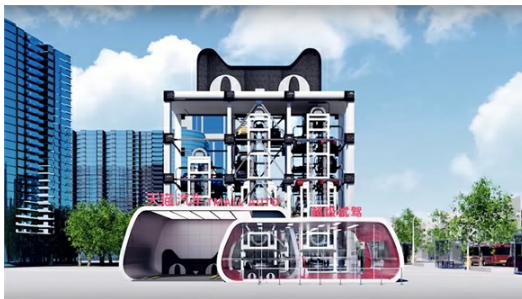
- Buy a Car Like a Can of Coke:** Shopping could not be easier in China, even for big item purchases. Alibaba's B2C e-commerce platform Tmall has created an unmanned 24/7 [auto vending machine](#). The vending machine model and app allow consumers to scan cars they like then buy their own in five minutes, making "buying cars as easy as buying a can of Coke" says the company. Consumers can register for three-day test drives in Shanghai and Nanjing. For more on 'extended-life' stores, where customers can make purchases 24/7, see [Beta Blends: Dexterous Store Design](#).
- Drone Delivery:** JD.com is pioneering [drone delivery](#) to consumers in rural areas from regional distribution centres. In September 2017, it offered a 100m Yuan (\$15m) prize to the winner of a competition to improve the system. The company still has to gain regulatory approval for larger cities. See also [Walmart & Amazon's Drone Airships](#).
- AI Partnerships:** From virtual fitting to smart shopping assistants, artificial intelligence (AI) is at the core of retail's transformation. AI innovation is moving fast, and will move faster with partnerships. JD.com is creating an AI Boundaryless Retail Center with sourcing and logistics group [Fung Retailing](#). Online (JD.com) and offline expertise (Fung) are being fused, including exploring the intersection of AI and fashion.



When it comes to the future of retail and driving the customer experience, AI is an essential component.

SABRINA FUNG, GROUP MD, FUNG RETAILING





Tmall Car Vending Machines



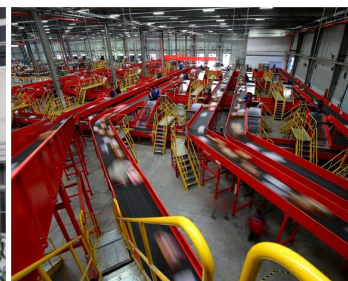
Tmall Car Vending Machines



Drone Control Centre



JD.com Drone



JD.com Fulfillment Centre

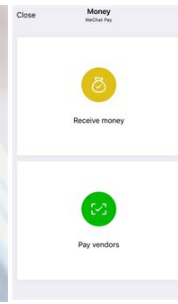
## Cashless Society: Already Here

- Chinese Payment Systems Spread Worldwide:** Mobile payment systems [WeChat Pay](#) and Alibaba's [Alipay](#) are significantly more versatile than typical Western credit cards – no one needs cash in a Chinese city. These services are now being rolled out worldwide, with Alipay already accepted by 150,000 merchants in the US. In February 2018, WeChat Pay began to accept foreign credit cards in some markets, including Hong Kong, Macau and Taiwan.
- Staffless Stores on the Rise:** The Chinese are moving fast, particularly in Shanghai, where electronics retailer Suning has two staffless stores, called [Biu](#). BingoBox, a convenience store chain, sells basic groceries in 100 sq ft units, with customers using the [BingoBox app](#) to open the door, then paying at a self-service kiosk.

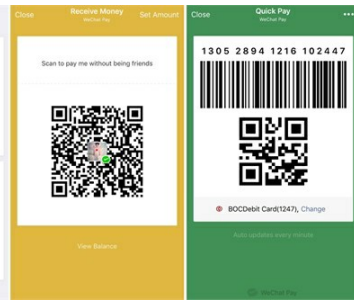
Messaging app WeChat has opened an unmanned pop-up store called WeLife in Shanghai. Customers scan a QR code via the app, connecting the store to digital wallet WeChat Pay. [Auchan Minute](#) is another unmanned concept, opened in November 2017. Operated by Auchan and Alibaba's Sun Art, it aims to have "several hundred" locations in 2018. See also [24/7 Mobile Robo-Store, Shanghai](#).



Alipay



WeChat



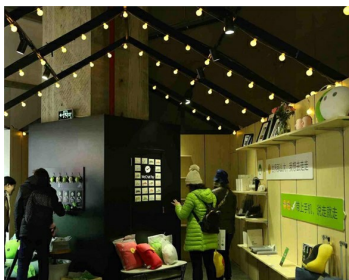
Suning BIU



Suning BIU



Suning BIU



WeChat We Life



WeChat We Life



WeChat We Life



Auchan Minute



Gogo Nobody



Gogo Nobody



- Facial-Recognition Tech Accepted:** While many Western consumers find the concept creepy, facial-recognition technology is evolving fast in China. Danish fashion retailer [Bestseller](#), which has 7,000 stores in China, has introduced facial recognition from Tencent's Youtu Lab to a [Jack & Jones](#) store and a [Vero Moda](#) store in Shenzhen and Guangzhou respectively. Shoppers receive customised recommendations from an app. Facial recognition is also being introduced to banks across Asia-Pacific, such as the [OCBC Bank](#) in Holland Village in Singapore, enabling managers to greet VIP customers by name.
- Cautionary Start-Up Failure:** Retail innovation in China does not always succeed. The Chinese often fail, although they fail fast. Sichuan capital Chengdu's first unmanned supermarket Gogo Nobody, from start-up Xiao Mang Guo Technology, closed after just four months.



Jack & Jones X Tencent



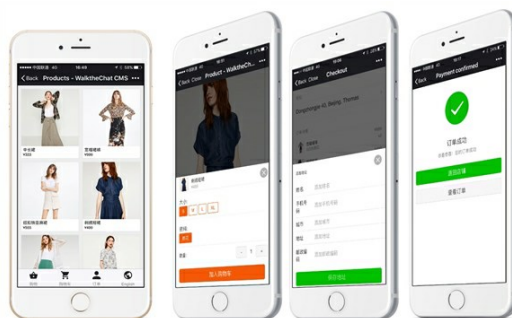
Jack & Jones X Tencent



NEC

## Retail & Social Media: Advanced Links

- WeChat Combines Social Media with Payments:** Social media platform WeChat is like Facebook and Twitter combined. It also offers a payment system that has transformed retailing. Chinese digital influencers can open their own mobile stores through a Mini Program, which provides app-like experiences without leaving WeChat's interface.
- Personal Brand Building:** Social-media-meets-retail empires are growing fast. [Li Beika](#), China's most influential blogger, reached one million RMB (\$160,000) of sales within minutes of opening her WeChat mobile store. Fellow blogger [Gogoboi](#) (real name Ye Si) stocks curated lifestyle products in his WeChat mobile store, while [HoneyCC](#) has millions of followers on video-sharing platform [Meipai](#) and has her own cosmetics and fashion e-commerce stores. The mobile store of [Yu Ge](#), former executive director of Harper's Bazaar China, targets international shoppers. Meanwhile, influencer Ding Yi uses Inke, a Chinese mobile app that live streams broadcasts. Viewers send him virtual gifts via Inke, which passes on a percentage to Ding Yi. He has now developed his own online fashion store. See [Monetising Social Media](#) for more.



WeChat Mini Program



WeChat Li Beiko



Gogoboi WeChat Shop



HoneyCC



Gogoboi



Yu Ge



Yu Ge Mobile Store



Yu Ge Mobile Store





- The Power of Social Media:** Social media can also influence consumers' decisions about where not to shop. In February, London's [Heathrow Airport apologised](#) after its partner World Duty Free offered different discount promotions to Chinese and non-Chinese customers. Chinese passengers were asked to spend a minimum of £1,000 (\$1,385) to receive a 20% discount, while other shoppers paid just £250 (\$345). Complaints were viewed by several million users of Chinese social media platform Weibo, prompting a wave of outrage. See also [China's Youth: Challenger Consumers](#).



The integrated fusion of social media and shopping puts China way ahead of any Western market.

ZUO XIAOYU, FASHION BUSINESS JOURNALIST, LADYMAX.CN



## Niche Consumers, New Markets

- Community Creation:** The giants of Chinese retail understand the power of community and togetherness in Chinese society. From Alibaba's corporate day – Ali Day, on May 10, when they hold group weddings at the company's HQ in Hangzhou – to Singles Day (November 11), retailers have modernised ancient traditions for the digital age: the tradition of gifting red envelopes stuffed with cash has seamlessly transitioned to digital 'envelopes'.
- China's Singles Day:** Singles Day (see [blog](#)), or the [11.11 Global Shopping Festival](#) (as named by Alibaba), targets single consumers and their friends. Beginning on a small scale in the 90s, it's now the biggest online shopping event in the world – bigger than Black Friday – and it embraces physical retail, too. In 2017, Alibaba installed 60 pop-up stores in over 50 malls across China. They featured augmented reality-boosted 'magic mirrors' enabling shoppers to test cosmetics and clothes virtually. Tmall added to the excitement of the build-up in October 2017 by staging a ['see now, buy now' fashion show](#) in Shanghai.



Alibaba Campus Hangzhou



Alibaba Day, Group wedding



Alibaba Singles Day



Tmall See Now Buy Now

- **Older Consumers:** [Taobao](#), Alibaba's e-commerce platform, launched a special shopping channel for the elderly and their families in February 2018. It features a simplified user experience, a new peer-to-peer chat service, and even a 'pay-for-me' option enabling relatives to make purchases. The concept aims to transform the process of shopping online into a more shared experience, bridging generations. See [blog](#).
- **Cross-Sector Collaboration:** Alibaba and German automaker BMW have partnered on a range of "digitalised experiences for the car and home" for all new models by the carmaker sold in China from the first half of 2018. Car owners in China can use smart speakers to remotely access information from home about their cars. BMW is working with the Internet of Things business unit of Alibaba Cloud, the company's cloud computing subsidiary.

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Online shopping becomes a shared place where we can seamlessly exchange product information and interact with each other as a unit.

ZHANG XIAOYU, PROJECT MANAGER, TAobao



Taobao



Taobao



Alibaba X BMW



Alibaba X BMW



Alibaba X BMW



## FUTURE INSIGHTS

**PARTNER UP FOR DATA INSIGHTS** The Chinese are impatient in business – a characteristic that serves them well at a time when retail is moving so fast. By partnering with specialist companies, the big players such as Alibaba and JD.com are positioning themselves brilliantly for rapid growth.

**GAIN CONSUMER TRUST** The Chinese are (mostly) accepting of the amount of data capture, such as their collective enthusiasm for the technological transformations sweeping through their country. This is unlikely to be matched in the West: retailers will advance more slowly, requiring consumer 'opt-ins' in many cases. Retailers need to explain clearly how data capture ultimately can help the consumer.

**DRIVE RETAIL WITH SOCIAL MEDIA** Western retailers appreciate the marketing potential of social media influencers, but they're still way behind the Chinese in appreciating the extent to which social media personalities can create new models for retailing and, indeed, entire empires. Find a China-based analyst to explain precisely how it can work for you.

**EXPLOIT WECHAT** Understand the full potential of WeChat and you have the key to marketing to the Chinese consumer. It's an all-encompassing ecosystem that can be a platform for immersive branding campaigns as well as integrated e-commerce.

**TOPICS:** Consumer Electronics | Digital Commerce | Digital Worlds | Emerging Markets | Fast Consumption | Financial Services | Media & Entertainment | Mobile | Retail | Science & Technology | Social Media | UI/UX

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## About Stylus

Stylus is a global innovation research and advisory firm, which works with businesses to stimulate innovation and growth. Our team of researchers identify and analyse the latest consumer lifestyle, product design and customer engagement trends across 20+ industries. The reports we publish provide commercial insight for 300+ global brands and agencies, making Stylus an essential resource for professionals in innovation, planning, strategy, product design and marketing roles.